



Arlington Finance Committee Handbook



ARLINGTON FINANCE COMMITTEE HANDBOOK

April 2022

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INTRODUCTION

This handbook is intended to be a resource to both newly appointed and long-standing members of the Arlington Finance Committee. Here, members (and prospective members) can learn more about how the Arlington Finance Committee is organized and how it operates. This is not meant to replace “*Finance Committee Handbook*” published by the Massachusetts Association of Town Finance Committees, a copy of which is provided to each new member of the Arlington Finance Committee. That compendium provides much more detailed information as to the laws governing municipal budgeting and finance in Massachusetts. Members are encouraged to freely consult that publication, as well as the number of other resources identified *infra*, so as to more fully understand the parameters under which a Finance Committee may operate in Massachusetts.

What this handbook is intended to do is to discuss how the Arlington Finance Committee, specifically, carries out its functions. Topics covered include how one is appointed to the Committee and what is expected of each member. This handbook also provides an overview of how the Committee is structured, how it functions, and what its relationship is to other Town officials, boards and committees that play a role in the town’s budgeting process. Over the years, the Arlington Finance Committee has developed a number of policies and created various procedures that have guided its work. These range from how long meetings will be to how much money to budget for snow and ice removal. These policies and procedures are included in this handbook as well.

The laws governing municipal finance are not static. Nor is the Arlington Finance Committee. While it is the intent of the Finance Committee to update this handbook regularly as needed, members (and prospective members) should not hesitate to contact the Chair or Vice Chairs with any questions they may have.

CHAPTER ONE: Role of the Finance Committee

First and foremost, the Finance Committee acts as an advisor to Town Meeting. Under the Town Manager Act, the Finance Committee must provide an annual report to Town Meeting, which typically commences on the first Monday following the Patriots' Day Holiday in April. The process of preparing the Finance Committee report commences with the Committee's receipt of the Town Manager's budget recommendations in January. The expectation is that the Town Manager's proposed budget will be in accord with the Town's Long-Range Plan (discussed *infra*). The Finance Committee then reviews, analyzes and considers those recommendations; and presents to Town Meeting (in its Report) a balanced budget that reflects the Committee's view of what appropriations are necessary and warranted given the Town's current and projected financial condition. As discussed below, the Finance Committee also reviews, conducts hearings, and reports to Town Meeting on any other warrant article that, in its judgment, impacts the Town's finances.

Should the Town Manager, Select Board, School Committee or a Town Meeting Member disagree with the Finance Committee's recommendations, they are free to submit a substitute motion or amendment at Town Meeting, as is the right of any participant in Town Meeting.

The Finance Committee does not report on the use of federal funds, including Community Development Block Grants (CDBG), state grant monies, or Community Preservation Act (CPA) funds. The Finance Committee also does not report on the use of private donations or gifts such as "Friends of" funds that the Town may receive. This is because these monies are not within Town Meeting's authority to appropriate.

(See Appendix 1 for a list of the Town's funds and accounts. The Town's Annual Comprehensive Financial Report (ACFR or audit) also provides a detailed list of most of the Town's funds).

In addition to advising Town Meeting, the Finance Committee works collaboratively on financial matters with the Town Manager, the Select Board, the School Committee, the Treasurer, the Comptroller, and other boards and committees. Its designees are active members of the Capital Planning Committee, the Long-Range Planning Committee, the Budget & Revenue Task Group, Audit Advisory Committee, Envision Arlington, and the Information Technology Advisory Committee. Although the Finance Committee has no jurisdiction over annual distributions of Community Preservation Act funds, the Committee meets with the Community Preservation Act Committee (CPAC) and, if appropriate, will make recommendations to CPAC.

The activities of these other boards and committees are discussed in more detail below.

CHAPTER TWO: Powers and Authority

Under state law, every town in the Commonwealth must have a Finance Committee, which shall submit a budget at its annual town meeting. G.L. c. 39, sec. 16.¹ The Arlington Town Manager Act (Section 35) and Bylaws (Title I, Article 7, Section 4) also require that the Arlington Finance Committee report annually.

The scope of the Finance Committee's duties is described in Title I, Article 7, Section 4 of the town's Bylaws. The Finance Committee "shall consider all articles contained in any warrant except articles on zoning." Although the Finance Committee traditionally limits its responsibilities to articles involving money, the Town's Bylaws do not constrain the Committee to those matters, stating "[n]othing contained in this section shall preclude the committee from considering, if it sees fit, articles which do not require or request an appropriation of money". On all matters, the Finance Committee shall "make such general suggestions, criticisms and recommendations as it may deem expedient". As further discussed *infra* however, it is the policy of Finance Committee to restrict its recommendations to fiscal matters.

The ability to transfer funds is a power entrusted solely to the Finance Committee. Section 5 of Article 7 provides that, at the request of the Town Manager, Select Board, Board of Assessors, Treasurer, Comptroller, Clerk or Retirement Board, the Finance Committee may authorize the transfer of funds within a department budget between personal services (salaries and wages), expenses and capital outlay, notwithstanding a prior vote of appropriation by Town Meeting. However, such transfers cannot be made to fund salary increases. It is also the sole responsibility of the Finance Committee to authorize a transfer of money out of the reserve fund.

The Finance Committee has broad audit power. Section 34 of the Town Manager Act provides that the Committee shall have "free access to all books of records and accounts, payrolls, bills and vouchers on which money has been or may be paid from the town treasury. Officers, boards and committees of the Town shall, upon request, furnish such information pertaining to their several activities as said committee may require". Section 6 of Article 7 of Title I of the Town's Bylaws goes even further in stating, "[t]he committee shall have power and authority to examine the books and records of any board or officials, so far as the same is permitted by law."

¹ <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter39/Section16>

CHAPTER THREE: Membership

Members of the Finance Committee are not elected; rather, they are appointed by a committee consisting of the Chair of the Finance Committee, the Town Moderator and the Chair of the Board of Trust Fund Commissioners. Each Finance Committee member must be a registered voter in the Town of Arlington. The Town Manager Act requires that each precinct have a resident representative on the Committee. When vacancies arise and a position cannot be filled with a resident from that precinct, the Act allows for appointment of a substitute member from another precinct to serve. The Act limits the number of so-called “at-large” members to three. No more than two members from the same precinct may serve on the Committee.

Upon appointment, the Town Clerk swears in a Finance Committee member. Members are appointed for a term of three years. The members of the Committee vote to elect officers: a Chair and three Vice Chairs. Officers are entitled to receive a small annual stipend; otherwise, membership is unpaid.

Members are considered municipal employees for purposes of the state’s Conflict of Interest Law.² The Finance Committee is a public body subject to the Open Meeting Law.³ Upon being sworn in, the Town Clerk provides members with educational materials explaining their obligations under both laws. Members receive an email account from the Town for use for Town-related matters. Correspondence sent or received by a Committee member is subject to the state’s Public Records Law.⁴

To effectively discharge their duties, members of the Finance Committee must be seen as impartial and uninfluenced by personal or partisan interests. The Town Bylaw prohibits members from serving in any elected office in the town; however, a member of the Finance Committee may also be an elected Town Meeting Member. The Bylaw also prohibits a member from serving on any other Town board, committee or commission, unless the makeup of the board, committee or commission expressly includes a member of the Finance Committee, in which case the Chair chooses a designee.

² <https://www.mass.gov/service-details/municipal-finance-committee-members-explanation-of-the-conflict-of-interest-law>

³ <https://www.mass.gov/service-details/open-meeting-law-educational-materials>

⁴ <https://www.mass.gov/files/2017-06/Public%20Records%20Law.pdf>

CHAPTER FOUR: Organization of the Committee and Member Duties

The Finance Committee is led by a Chair, who is elected annually by the members of the Committee. Also elected annually are three Vice Chairs. Assisting the Committee and working at the direction of the Chair is an Executive Secretary, who is a Town employee.

The Chair determines the meeting schedule, sets the agenda, and presides over the meetings. The Chair also speaks for the Finance Committee at Town Meeting and is primarily responsible for drafting the Finance Committee Report for Town Meeting. In the event the Chair is unavailable, one of the Vice Chairs will chair the meeting. Vice Chairs ensure that each departmental budget is reviewed and presented to the Committee by the member or members assigned to that budget. Together, the leadership team helps the Chair finalize the Report to Town Meeting.

The Executive Secretary works with the Chair to schedule meetings and is responsible for sending out meeting notices and agendas, as well as draft meeting minutes, which the Executive Secretary prepares. The draft minutes are reviewed and approved by vote of the Committee, typically at the next following meeting. As directed by the Chair, the Executive Secretary invites proponents of warrant articles to give presentations to the Finance Committee. Throughout the budget process, the Finance Committee will meet with the Town Manager and Deputy Town Manager/Finance Director; the Arlington Public Schools Superintendent, the Chief Financial Officer for the schools, and School Committee members; the Minuteman Regional Vocational School (“Minuteman”) Superintendent, the Arlington designee to the Minuteman School Board and the Chief Financial Officer for Minuteman; members of the Arlington Select Board; and members of the CPAC, the Capital Planning Committee, and other groups. It is the Executive Secretary’s function to coordinate the date and timing of those meetings. The Executive Secretary also ensures that correspondence to the Finance Committee is forwarded to the Chair.

At the outset of the budget season, each Town departmental budget, as well as the Arlington Public School Department budget, and the Minuteman Regional Vocational Technical High School budget, is assigned to a small working group, or team, of two or three Finance Committee members whose job it is to review the Town Manager’s (or School Committee’s) budget recommendations, analyze past and current spending priorities for that department, and meet with the relevant department head. Smaller budgets are sometimes assigned to a single member of the Committee for review.

In evaluating its assigned budget, it is expected that each team will learn the details of that department’s operations and apply a critical analysis to the department’s funding request. Each member will analyze the budget request in light of past years’ actual expenditures; make sure that any department’s budget increase is in line with promises made by Town officials to voters in connection with tax override or debt exclusion votes; understand what new initiatives will be undertaken by the department’s director; assess, from a fiscal standpoint, the success of prior initiatives; know what vacancies exist and whether there is a plan to fill them; and determine if there are any looming financial issues.

The Committee as a whole relies heavily on each member to gather all the necessary information with which to determine the appropriateness of the budget request. It is therefore incumbent on each member to anticipate all possible questions that may be asked by other Finance Committee members, as well as any questions that may be raised by Town Meeting Members.

After conducting a review of the departmental budget, gathering information (from the department head, Town Manager, Comptroller or others), and meeting with the departmental head, each team (or member for smaller budgets) will “present” their recommendations to the full Finance Committee at one of its meetings, typically in March. The team will explain any notable increases or decreases in line items of the budget; discuss any changes in personnel or plans to fill vacancies; inform the Committee of any issues of concern; and, generally, be able to answer questions. The Finance Committee will then expect the team to recommend that a budget be approved as requested by the Town Manager or, if not, to be able to explain why not.

The Finance Committee strives to work cooperatively with the department heads, the Deputy Town Manager/Finance Director, the Town Manager, the Superintendents and their Chief Financial Officers, the Treasurer, and the Comptroller. The Committee’s policy is to avoid micromanaging any department or department head. However, Finance Committee members must not forget that the Committee’s loyalty lies with Town Meeting, which is relying upon the Committee for its advice. There are times when the Finance Committee’s recommendations will differ from those requested by the Town Manager or other town officials.

The Finance Committee votes on each departmental budget after it is presented. Usually, but not always, the Finance Committee will vote to recommend favorable approval (“favorable action”) in the amount requested. However, the Finance Committee can and sometimes will vote a different amount for a departmental budget.

As indicated *supra*, the Finance Committee’s job is to make recommendations to Town Meeting on all matters that may have a financial impact upon the town. As soon as the draft Warrant is available, the Finance Committee reviews all of the articles to determine which ones it should make recommendations on in its report to Town Meeting. Phrases like “to see if the Town will appropriate a sum of money” or “determine how the money shall be raised and expended” always trigger the attention of the Committee. After hearing the proponents of any warrant articles falling within this category, the Finance Committee will take a vote as to whether to recommend favorable action by Town Meeting, or not (“no action”) on those matters.

Occasionally, members will be assigned other tasks throughout the fiscal year. For example, a member may be requested to act as the Finance Committee’s designee on other committees, boards or commissions. Currently, the Committee has several standing working groups, which meet throughout the year: Policies and Procedures, IT, Communications, and Operations Research, the latter group focusing on identifying departments meriting a more in-depth analysis than the yearly operating budget review permits. Members may be asked to work on these or other such projects.

CHAPTER FIVE: Budget Calendar and Meetings

In a nutshell, the budget calendar is as follows:

- July - Fiscal year begins July 1st.
- September – Departmental capital budget requests due to Town Manager for upcoming fiscal year.
- November – Departmental operating budget requests due to Town Manager by November 30th for upcoming fiscal year.
- December – Principals and school department heads submit budget requests to the School Superintendent.
- January – School Committee submits initial budget numbers to Town Manager.
- January 15 - Town Manager submits budget recommendation for upcoming fiscal year to Select Board and Finance Committee. The budget book submitted by the Town Manager includes expense details and a list of positions and salaries for each department. Town Manager's recommendation is based on anticipated state aid and assessments as set forth in the Governor's Proposed Budget in the preliminary Cherry Sheet and in accordance with the Town's Long-Range Plan.
- January/April - Finance Committee reviews and conducts hearings on budget recommendations.
- March - Financial Plan distributed by Town Manager to Select Board and Finance Committee by the end of March.
- April – Department of Revenue releases Cherry Sheets estimates from the recommendation of the House Ways and Means Committee.
- April - Finance Committee completes its review of the Town Manager's and School Committee's budget recommendations. Committee presents its Report to Town Meeting.
- May - Town Meeting votes on operating and capital budgets.
- May/June - Town Meeting dissolves.
- June – Finance Committee meets to vote on any necessary year-end transfers.
- June - Fiscal year ends June 30th.

On the Town side, the budget calendar begins in the late summer and early fall, with department heads preparing their budget requests for submission to the Town Manager and Deputy Town Manager/Finance Director. On the school side, the superintendent hears from her principals and department heads as to their priorities in December. By early January, the School Committee sets its priorities and delivers its initial budget estimates to the Town Manager.

The Town Manager Act requires the Town Manager to submit a budget to the Select Board and Finance Committee by January 15. All Finance Committee members receive an electronic copy of the budget; the Executive Secretary also provides paper copies to those who request it.

Finance Committee meetings start thereafter. The Finance Committee meets every Monday and Wednesday night from 7:30 pm to 10:00 pm at the Community Safety Building (Police Station) on Mystic Street. These meetings typically continue through to

April. During the Town Meeting season, which begins the Monday after the Patriots' Day Holiday and continues into May, and sometimes later, the Finance Committee will meet every Monday and Wednesday starting at 7:30 pm in the Select Board Hearing Room in Town Hall. Unless an urgent issue requires a longer meeting, these meetings will usually adjourn at 8:00 pm, when Town Meeting starts for the evening. Finance Committee meetings are open to the public and typically recorded by Arlington Community Media, Inc.⁵

The Finance Committee endeavors to have its final Report to Town Meeting prepared and delivered to Town Meeting Members before Town Meeting commences at the end of April. Questions from Town Meeting Members on the floor of Town Meeting about the Finance Committee's recommendations are addressed by the Chair through the Moderator. The Finance Committee's recommendations are passed by a simple majority vote of Town Meeting, except for borrowing recommendations which requires a 2/3 vote.

The Town's fiscal year ends on June 30. Prior to then, the Town Manager may seek the Finance Committee's approval to transfer unused funds from some departments to cover any needs that may exist in others. For example, unused money that had been appropriated to the Fire Department may be transferred to Public Works to pay for a snow and ice deficit. The Finance Committee can also vote to transfer funds out of the Reserve Fund to cover unanticipated expenses, including deficits in the snow and ice budget. Only the Finance Committee has the authority to approve such transfers. For this reason, there will always be at least one Finance Committee meeting between the end of Town Meeting and June 30.

At that point, the work of the full Finance Committee is typically completed, although the members may be called back if an unforeseen cost, needing a transfer from the Reserve Fund, arises over the course of the summer or early fall. The activities of the Working Groups continue throughout the year.

At any time during the year, the Finance Committee may be required to reconvene to approve transfers from reserve funds (only in June). It may also convene in anticipation of any special Town Meeting.

⁵ <http://acmi.tv/financecommittee/>

CHAPTER SIX: Important State Statutes Relating to Municipal Finance

The Town's budget funds a wide range of essential services from education to water and sewer construction, from public safety to veteran's services, from recycling and solid waste disposal to protection of open spaces. It must do so within the confines of Proposition 2½, and with a balanced budget.

In general, Proposition 2½ limits the amount in property taxes that the Town can raise in any year to 2½ percent of the assessed valuation. The law also limits the total aggregate increase in property taxes levied from one year's levy limit to the next to 2½%.⁶ The law establishes a process to increase property taxes by a higher percentage, but only upon approval by voters at the ballot box.

Although the Finance Committee has no role in the assessment or collection of tax or other revenue, members must understand the constraints under which municipalities like Arlington operate due to the limitations of Proposition 2½. At the same time revenue is capped, state law also prohibits municipalities from deficit spending, with one exception: snow and ice removal. This means that towns cannot expend any sums of money in excess of the amount appropriated by Town Meeting or transferred from the reserve fund.⁷ (A discussion on how Arlington treats its snow and ice removal budget can be found in Chapter Eight: Policies and Practices).

How municipalities spend their revenue is, for the most part, up to the municipality itself, with one major exception. State law requires a certain minimum amount of funding, "foundation funding", for their school systems. Historically, Arlington's Town Meeting appropriates substantially more than the state-mandated foundational funding, although it is not required to do so. Pursuant to state law, the Finance Committee recommends and Town Meeting votes on the "bottom line" amount being requested by the School Committee; neither can amend line items within the school department's budget. Cognizant of that fact, the Finance Committee does not delve deep into the school departments' line items. It does, however, focus on trends, considers the growth in the school budgets in light of the Town's overall operating budget, and assess how the budget impacts the Town's Long-Range Plan. These factors inform the Finance Committee in deciding whether to recommend to Town Meeting that it approve the school departments' budget requests.

Only Town Meeting can appropriate funds, and only Town Meeting can approve of the transfer of monies from one department to another. In limited circumstances, however, the Finance Committee can authorize the transfer of funds between appropriations, but only in the closing two months of a fiscal year extending to the first 15 days of the new fiscal year (practically, May 1 to July 15).⁸

⁶ <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter59/Section21C>

⁷ <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter44/Section31>

⁸ <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter44/Section33B>

Town Meeting may also appropriate money to a reserve fund, and the Finance Committee has the authority to approve transfers out of that fund. By law, reserve funds may be used only “for extraordinary or unforeseen expenditures.”⁹ Reserve funds should not be used to fund spending rejected by Town Meeting.

A stabilization fund is a type of reserve account. These monies can be appropriated by Town Meeting for any purpose by a two-thirds vote.

Towns are permitted by state law to raise revenues from a service or program offered by the town and to use those revenues to support the service. These are referred to as “Revolving Funds”.¹⁰ An example is ambulance fees charged by the Town, which, once collected, are used to help defray the cost of emergency response services. Revolving funds are under the supervision of the Select Board, and are not subject to appropriation by Town Meeting. However, limits to the revolving funds must be approved by Town Meeting. “Enterprise Funds” are those funds generated from user fees to pay for the delivery of a specific town program, such as funds collected from ice skaters at the ice rink. Both revolving funds and enterprise funds have specific reporting requirements.

In establishing a fee for a program or service, the amount charged cannot exceed the actual cost of rendering the service. In other words, municipalities cannot make a profit from providing a service to constituents.

⁹ <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter40/Section6>

¹⁰ <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter44/Section53E1~2>

CHAPTER SEVEN: Systems and Technology

The Finance Committee has aligned its technology infrastructure with the Town and uses Microsoft tools for document storage, file sharing, collaboration and remote meetings. It uses SharePoint for document management, Teams for remote meetings, Outlook for email, and the Office Suite for document creation. All members receive a Town email account and a Microsoft office 365 login.

SharePoint serves as the hub for Finance Committee online collaboration. There is a Finance Committee SharePoint site with a home page that allows for posting of information and for quick access to documents and to Outlook.

Documents are organized in topic folders. Although all members are welcome to create a folder to hold a group of documents, the Committee uses a standard folder structure for shared documents. There is a top-level folder for each fiscal year created before the Committee begins meeting that year. Within that folder, subfolders are created for assigned budgets and meetings.

The assigned budget folder contains a subfolder for each team assigned to review a departmental budgets or group of budgets. Members can store working documents in these folders as needed.

The meetings folder contains a subfolder for each Finance Committee meeting. These folders hold the agenda and any documents for presentation at the relevant meeting. Minutes of the meeting are added to the meeting folders as they are drafted and approved. All documents are provided electronically. Members are encouraged, but not required, to bring a laptop or other device to meetings rather than using paper documents.

Other folders may be created to hold documents related to that year's work including the Town Manager's budget, the Cherry Sheet from the state, and the Finance Committee Report as it takes shape.

All email correspondence goes to each member's Town-provided email address. Members may use Outlook within their Microsoft 365 account for Finance Committee communications and/or forward emails from their Town account to their personal account.

Microsoft Teams is available for use for remote meetings and for chat communications. Members may use these tools for working group meetings and online conversation as needed.

Unless exempted by state law from holding in-person meetings, such as during the COVID-19 pandemic, all Finance Committee meetings must, under the Open Meeting Law, be held publicly in person. Individual members may attend and vote remotely, although they are not counted toward the quorum. Because they do not constitute a quorum, Working Groups need not conduct their meetings publicly. Teams or Zoom can be used for this purpose should members not want, or are unable, to conduct in-person meetings of their working groups.

CHAPTER EIGHT:Policies & Practices

Over the years, the Finance Committee has developed several policies and adopted various practices that it believes advances its work. Members should be familiar with each of them. A list of these is as follows:

General

The Town Manager is expected to deliver to the Finance Committee a proposed budget that is balanced and consistent with the Long-Range Plan. Any budget that does not may be rejected by the Committee.

The Finance Committee endeavors not to “micromanage” the Town Manager, the Superintendents or department heads. Opposing the Manager’s request to create a new position to address a specific need that a particular Finance Committee member believes is unimportant may constitute micromanaging; however, resisting efforts by the Manager that will lead to an increase in the Town’s overall labor force in order to keep salaries, health insurance and retirement costs down may not be.

The Finance Committee will not penalize any department head for not spending money. If, for example, a department head does not spend all of his or her budget in one year, the Finance Committee will not assume that an equal, or maybe greater, appropriation is not needed the next year.

New hires are expected to be slotted in at the lower end of the pay range for that position.

Notwithstanding that the Town Bylaw permits the Finance Committee to take a position on any non-zoning matter coming before Town Meeting, the Finance Committee avoids taking any stand on any non-monetary matter, or on any issue that does not impact the Town’s financial condition.

Finance Committee members will not publicly support or actively campaign for any candidate for a Town-wide office. This is to prevent the Finance Committee from being seen as “political” or biased, and is the position of the Finance Committee Appointing Authorities.

Even where the state’s Conflict of Interest law permits it, Finance Committee members will abstain from taking a vote on any matter if the member’s neutrality could be reasonably questioned.

The Chair will try to end meetings by 10:00 pm, unless the press of urgent business requires the meeting to continue past that time. (This policy was instituted at the recommendation of a former long-standing member of the Committee, Mary Ronan, and is now referred to as “The Mary Ronan Rule”).

Use of Free Cash

Free cash is neither free nor cash – Allan Tosti

“Free Cash” is the accumulation of funds which have been appropriated in previous years but not spent – the budget surplus – and revenues collected above projected amounts – surplus revenue - and is available for appropriation in subsequent years. After the close of each fiscal year, the amount of available free cash is certified by the state.

It is the Town's policy to appropriate one-half of the most recently certified amount of free cash as revenue for the new fiscal year. Because of the time required for the DOR to certify the town's free cash, the amount available for the next fiscal year is one-half of free cash at the end of the previous fiscal year. For example, the amount available as revenue for fiscal year 2022 is one-half of the free cash available from fiscal year 2020.

The effect of the Free Cash article is to allow the assessors to use the available amount when determining the tax rate.

[Snow and Ice policy](#)

Municipalities in Massachusetts are prohibited by law from expending any funds in excess of appropriation, with one exception. Section 31D of General Laws chapter 44 permits municipalities to "deficit spend" for snow and ice removal with the approval of the municipality's "chief administrative officer" so long as one important condition is met. In order to deficit spend on snow and ice, the appropriation in the year the deficit occurred must equal or exceed the appropriation for snow and ice removal in the prior fiscal year. For this reason, municipalities proceed at their own risk if they cut their snow and ice removal budget from one year to the next.

Because municipalities are permitted to deficit spend their snow and ice budget, it is not uncommon for some cities and towns to deliberately, and substantially, under-budget this expense to free up funds for other purposes. At the end of the year, these municipalities will transfer surplus funds or dip into their reserves to pay these expenses, with any remaining deficit being paid using the following year's revenues.

The Arlington Finance Committee approaches snow and ice differently, hoping to more accurately and transparently budget for these expenses. It has adopted a policy that the Town appropriate an amount equal to 75% to 80% of the town's 10-year rolling average of actual expenditures on snow and ice removal. By doing so, the town has been able to more easily fund any deficit that may occur from that year's reserve fund thereby preventing rollover deficits.

CHAPTER NINE: Long-Range Planning

As a fully-developed community with little opportunity for new growth, Arlington has long suffered from a “structural deficit”, meaning that the monies that it can raise under Proposition 2 ½ cannot keep pace with inflation or the increasing needs of the community. Consequently, Arlington relies heavily on the need for periodic override votes.

Recognizing the burden this places on the taxpayer, and the uncertainty it creates for Town officials in budgeting, the Town established the Long-Range Planning Committee. The Long-Range Planning Committee is an advisory group to the Town Manager. Membership includes representatives from the Select Board, School Committee, Capital Planning Committee, the Town Manager, School Superintendent, Treasurer and Comptroller. The Finance Committee also has several representative members on the Long-Range Planning Committee.

The Long-Range Planning Committee meets periodically throughout the year. At each meeting, it reviews the Town Manager’s current revenue and expenditure forecasts for the coming five years. Discussed at these meetings are any looming issues that might impact the fiscal stability of the town or alter the five-year plan. Most importantly, members track the Town’s balance and use of the Override Stabilization Fund, and analyze the timing and size of future override or debt exclusion votes.

The Long-Range Planning Committee’s five-year plan serves as the touchstone for all who play a role in protecting the Town’s financial condition.

CHAPTER TEN: Revenues

All of the revenue sources appropriated by Town Meeting are summarized on Appendix C of the Finance Committee Report. As discussed *supra*, grants and other monies that are beyond Town Meeting's appropriation authority are not included.

Property Taxes

Property taxes comprise roughly 75% of Arlington's revenues, and the Town historically collects the maximum amount available under the current levy limit, regulated under Proposition 2½. Including "new growth", property tax revenue typically increases 3-3½ % annually. About 95% of property taxes are from residential property, with the remainder from commercial and industrial properties.

Property taxes are also increased over the constraints of Proposition 2½ through new growth and debt exclusions.

Property tax revenues to the General Fund do not include taxes collected under the Community Preservation Act, which are segregated for specific uses recommended by the Community Preservation Committee and approved by Town Meeting.

Property tax calculation

The calculation of new property taxes is shown in Appendix C of the Committee's Report.

Previous year's levy limit
+ 2 ½%
+ new growth
+ <u>debt exclusions</u>
Next year's property tax

State aid (Cherry Sheet - revenues minus assessments)

The second largest revenue source after property taxes is state aid. The two most prominent sources of state aid are unrestricted general government aid (UGGA) and school aid (also known as "Chapter 70," the Mass. General Law establishing the funding formula).

The "Cherry Sheet" is the annual statement of aid provided by the state for various purposes, such as education support and unrestricted aid, less assessments paid by the Town for state services. More money is provided than assessed, so the net is always positive. To see current and historical Cherry Sheets, search for "Mass DLS Cherry Sheets".

The first Cherry Sheet estimate is delivered with the Governor's budget proposal (called "House 1") in late January, and is used in the proposed budget provided by the Town Manager. The Cherry Sheet progresses through the state's budget process, but in most years, the Governor's budget is a good approximation of the final amounts.

Local receipts

Local receipts include all of the excise taxes, user fees, and other income received by the Town. The amounts estimated for each fiscal year are estimated in Appendix C of the Finance Committee Report. The growth forecast for local receipts is shown in Appendix D, the Long-Range Plan.

The total of local receipts typically comprises 7-8% of total revenue.

Motor vehicle excise tax

The local excise tax calculated by the state and collected by the Town.

Hotel/motel & meals taxes

Collected by the state and provided to the Town. The current local motel/hotel tax is 5.7% and the current local meals tax is 6.25%.

Cannabis tax

The new tax on cannabis products, collected by the state and provided to the Town. The current cannabis tax is 10.75%.

Fees, permits

These include fees charged for facility rentals, dog licenses, etc. Fees for recreation programs and the skating rink are not included, because they flow into the respective Enterprise Funds, not the General Fund, so are not available for other purposes.

Penalties & interest

These include penalties for late payment or other violations according to the Bylaws, and interest charged.

Payments in lieu of taxes (PILOT)

Some non-taxable properties, such as churches and schools, voluntarily contribute payments to the Town to partially make up for lost property taxes.

Sale of assets

Receipts for properties sold by the Town, typically unwanted buildings or equipment.

Investment income

Income on the investments of Town assets, not including the retirement accounts.

The Fiscal Stability Stabilization Fund

The “Fiscal Stability Stabilization Fund”, also known as the “Override Stabilization Fund”, was created in 2005 to hold surplus property tax revenues, or make up for deficits in future years in which operating deficits are projected. Historically, the Town has passed overrides larger than needed, and the extra money collected accumulates in this fund. This prevents the need for more frequent smaller overrides, and allows a guaranteed revenue source in the long-range plan.

Free Cash

See discussion *supra*, Section Eight.

CHAPTER ELEVEN: Department Budgets

Steps and Longevity

Longevity is part of the employee's compensation plan and differs for each group (union, non-union), but typically it is for continuous years of employment. Through steps changes in a position, compensation is increased.

Offsets

Many departmental budgets include a line for "offsets", which are funds transferred between departments for services provided by other departments, or other funds designated for specific purposes.

Many departments provide services to the Water & Sewer Enterprise Fund, particularly Public Works. Many department budgets include a line for "Water and Sewer Enterprise Fund Offsets" to account for money transferred from that enterprise fund to the department's budget to pay for those services.

Other offsets are described below for some departments.

General Government

Finance Committee (Finance Committee)

The Finance Committee budget includes the salary of the Executive Secretary and any stipends for the Committee officers. Other expenses include the cost of printed copies of the Finance Committee Report and other incidentals.

Select Board

The Select Board staff support the Select Board's functions, including managing correspondence, setting meeting schedules and agendas, assembling the meeting packet each week, and ensuring the Board meets its responsibilities with regard to the issuance of licenses and permits. The Select Board staff also prepare the Town Meeting warrant, manage the Select Board's warrant article hearings, and support the Town Clerk in the management of Town elections. The Select Board budget covers staff salaries and benefits, supplies, the Town's audit, and costs associated with elections.

Town Manager

The Town Manager's staff includes the Town Manager, the Deputy Town Manager/Finance Director, the Deputy Town Manager/Operations and Records Access Officer, the purchasing officer, the Public Information Officer and a management analyst. The Town Manager's expense budget includes all the costs associated with the Town's website, dues for membership in organizations like the Massachusetts Municipal Association and National League of Cities, and the printing of Town reports.

The "CPA Offsets" are transfers from the CPA fund to pay for administrative costs in the Town Manager's office.

Legal

The Town Counsel's office handles all the Town's legal issues and provides advice to the Town Manager, Select Board, other Town officials and committees, and Town Meeting with regard to the interpretation of the Town's Bylaws, obligations and constraints under

state law, and conflicts of interest, among other responsibilities. The legal department budget includes salary and benefits for Town Counsel, Deputy Town Counsel and administrative staff. The expense budget covers anticipated costs of litigation and other legal matters as well as office operations.

[Town Clerk](#)

The Town Clerk manages the Town's public records and elections. Staff includes the Town Clerk, Assistant Town Clerks, and administrative staff. Responsibilities include managing elections, maintaining election equipment, the handling and storage of records, maintaining a record of Town Meeting votes and all filings related to those votes, processing voter registration, and managing the annual Town census among other duties. Major expenses include the printing of ballots, stenography services for Town Meeting, data processing expenses and office supplies

[Board of Registrars](#)

The Board of Registrars' budget covers one full time registrar, expenses related to managing voter registration, and administrative support for board members. Part of the cost of printing ballots is carried in this budget.

[Planning & Community Development](#)

Planning and Community Development is responsible for guiding the development of the Town's economic and community assets. Planning and Community Development staff support the Arlington Redevelopment Board, Envision Arlington and the Conservation Commission. This is also the department tasked with supporting civic engagement and community input with respect to plans being proposed by the Town. Some of the department's positions are funded via the CDBG program and the Arlington Public School Department budget, which appear as offsets in the budget. The "school offset" received from the school budget covers one-half of the cost of the Energy / Project Manager for services provided to the school department.

[Redevelopment Board](#)

The Arlington Redevelopment Board is the community planning board for the town. It has four members appointed by the Select Board and one appointed by the Governor. This body has a small expense budget but no paid personnel as their activities are supported by Planning Department staff.

[Zoning Board of Appeals](#)

The Zoning Board of Appeals is an appointed committee of residents tasked with hearing appeals for exceptions to the zoning bylaw. Their budget covers expenses and one part-time administrative position.

[Finances](#)

The finance function is managed by the Deputy Town Manager/Finance Director and consists of three departments: the comptroller's office, the treasurer's office, and the assessor's office.

Comptroller

The Comptroller's office is responsible for accounting for all of the Town's funds and providing financial statements for the annual audit. Its budget includes funding for staff and expenses related to accounting processes, software and training.

Treasurer

The Treasurer is responsible for collecting the taxes and overseeing the Town's borrowing and investing activities. In addition to staff, its expenses are mostly related to sending and processing bills, and receiving payments.

Assessors

The Assessor's office is responsible for assessing the value of all properties in the Town annually. The assessor files reports with the state each year that are used to set the tax rate for the Town. The personnel budget supports staff members and stipends for the elected Board of Assessors. The elected board is responsible (together with the Town Manager) for overseeing the Assessor. The board holds hearings to respond to residents' appeals of their assessments. The Board of Assessors' budget includes an Overlay Reserve fund to cover the cost of refunding payments to residents who are successful in their appeals.

Other departments

Information Technology

The Information Technology department is responsible for building, maintaining and supporting the IT infrastructure – hardware and software – for all Town departments and the schools. The sole exception to this is some aspects of the public safety IT functions that have statutory security requirements. Some personnel in the department are supported by the School budget. The IT expense budget includes software costs for the MUNIS accounting package and other information systems used by Town departments as well as communications infrastructure.

Postage

This budget covers the cost of Town mailings. The major costs are postage and handling of materials.

Parking

This budget includes funding for a data management clerk as well as expenses for services.

The "Parking Meter Offset" represents money collected in parking meters that is used to partially pay the expenses of the Parking Department.

Retirement

Terms

- ACRS - Arlington Contributory Retirement System
- MTRS - Massachusetts Teachers' Retirement System
- OPEB - Other Post-Employment Benefits
- PERAC - Public Employee Retirement Administration Commission

- PRIT - Pension Reserves Investment Trust

The Retirement budget appropriates money for retirement pensions for former Town employees. The appropriation required each year is requested by the Retirement Board based on the retiree population and actuarial calculations.

The Water & Sewer Fund offset subsidizes the pensions of former employees who did work under the Water & Sewer Enterprise fund.

The OPEB appropriation is described below under Retiree Health Insurance.

Insurance

The Group Insurance Commission (GIC) line item is the main appropriation for the Town's contribution to employee health insurance. The Town offers a variety of HMO, PPO, Medicare Extension and Dental plans.

Medicare Payroll Tax is the 1.45% payroll tax paid by the Town, and matched by employees as a payroll deduction.

Flexible Benefit Plan is a Section 125 (pre-tax "cafeteria") plan which is offered to the employees for dependent care and health care costs not provided through health insurance coverage. This budget pays for administration of the plan.

Medicare Penalty covers penalties for late enrollment, etc.

The Opt-out appropriation allows the Town to offer a financial incentive for employees to opt out of Town-provided health insurance if, for example, they are covered by a spouse's policy.

Group Life Insurance pays for basic life insurance for Town employees.

Liability Insurance covers all Town officials who, in the performance of their official duties, may be sued for those actions.

Indemnity Insurance includes property and automobile insurance coverage for all Town and school buildings that are rented, and all Town-owned vehicles.

Unemployment Insurance is paid for employees who have actually been laid off from their positions. Unlike private employers, the Town does not pay a regular premium.

Workers' Compensation Insurance covers the costs of employees injured as a result of their employment.

Municipal Building Insurance Trust Fund covers deductibles for building fire and damage insurance.

Reserve Fund

The Reserve Fund is maintained to cover for unexpected expenses, such as large unfunded retirement buy-backs or emergencies. The Finance Committee must approve any use of the Reserve Fund.

The School Reserve Fund is a new reserve fund which can be used to supplement the school budget in case of unexpected enrollment growth. It is under the control of the School Committee.

Public Works

The Department of Public Works (DPW) is responsible for maintaining the Town's infrastructure, including its roads, bridges, sidewalks, water and sewer pipelines, and its playing fields and parks. The DPW's budget includes responsibility for snow and ice removal, the hauling and disposal of trash and recycling, and caring for the town's cemeteries.

The Public Works department consists of six different divisions: Administration, Cemetery, Engineering, Highway, Motor Equipment Repair, and Natural Resources. Its budget also includes separate lines for snow and ice, field maintenance, solid waste and street lighting.

The director is given the ability to move funds around the department as needed without Town Meeting or Finance Committee approval. He is the only department head (except for the schools) in Town with this ability.

Pursuant to an agreement with Parks and Recreation, currently \$60,000 of the Public Works budget is spent on field maintenance. (Parks and Recreation picks up the remainder of the costs using user fee revenue).

Public Works - Natural Resources

The Natural Resources division oversees the Town's open spaces including the bike path and is responsible for tree maintenance. It also oversees maintenance of the Town's historic sculptures and holiday lights.

Public Works – Engineering

The Engineering division oversees and provides technical assistance for the Town's construction projects.

Public Works – Administration

The Public Works Administration division oversees all other departments including solid waste. A portion of the expenses of this budget typically is offset slightly from use of the Recycling Revolving Fund, which takes in money from the sale of scrap metal and orange bag (commercial) stickers. (Other offsets include Water and Sewer offsets).

Public Works – Highway

The Highway division is responsible for the town's roads, sidewalks, drains, culverts, signs and street sweeping. Its expenses are often impacted by weather conditions, which explains why its actual expenditures may deviate from what was budgeted.

Public Works - Snow and Ice Removal

The Town relies on both employees and independent third-party contractors to plow and remove snow.

Public Works - Solid Waste

The Solid waste budget consists mainly of third-party contracts that fall into 2 categories: collection and disposal. The "Residual Disposal" line item in the budget covers costs for cleaning catch basins as well as the disposal of construction debris and trees that have fallen or been taken down.

Public Works - Motor Equipment Repair

The Highway Motor Vehicle Repair maintains the DPW's and Facilities' Department vehicles.

Public Works – Cemetery

The Cemetery division's expenses include expenses for the Mt. Pleasant Cemetery chapel as well as the cemetery itself, and the Old Burial Ground next to the Robbins Library. Typically, the expenses for this budget are offset with money taken from the Perpetual Care or Lots and Graves Funds.

Public Works - Street Lighting and Traffic Signals

The Town contracts with a third-party vendor to maintain our street lights, although the Town is responsible for the poles. Traffic signals are maintained by the Town.

Facilities

This is a relatively new and still evolving department responsible for maintaining most of the Town's buildings and all of its school buildings. Its relatively small staff is supplemented by school custodians as well as third-party contractors.

Public Safety

Police

The "Parking Meter Offset" represents money collected in parking meters used to offset the expenses of the Police Department for parking enforcement.

Fire

The "Ambulance Revolving Fund Offset" is money collected for ambulance services which offset expenses in the Fire Department.

Inspections

The Inspections department issues building permits and ensures compliance with zoning laws and safety standards for structures, wiring and plumbing.

Library and Human Services

Library

Arlington has two public libraries, the large Robbins Library and the smaller Fox Library. Our library system has consistently been among the top 10 busiest libraries in the state. Arlington is a member of the Minuteman Library Network.

The Director oversees a large staff. The Director reports to the Trustees of the Library as well as to the Town Manager, and works with the Friends of the Library.

Funding for the libraries comes mostly from the General Fund, although it also receives donations, grants and monies generated from activities and events.

Health & Human Services

The Director of Health and Human Services oversees a number of divisions as well as office space, which is rented from the Arlington Redevelopment Board. In addition to General Fund monies, the department also receives a variety of grants, donations and state funds.

Veterans

This department provides assistance to Arlington veterans, including housing assistance. The expenses for this department are decreasing due to a decrease in the current number of veterans in town. Approximately 75% of the assistance is reimbursed by the State on the Cherry Sheet.

Council on Aging

This department, supervised by the Director of Health and Human Services, provides assistance to seniors in Arlington. Many of its salaries and programs are funded through grants and aided by state programs and consortiums of local towns.

Diversity, Equity, and Inclusion

This is a new department overseen by the Director of Health and Human Services. It was created in FY 21 with a staff of two. They are responsible for developing equity action plans for the Town and provide training and consulting services. They are also to assist the Human Rights Commission, the Envision Arlington Diversity Committee, the Rainbow Coalition, and the Disabilities Commission.

Personnel

Human Resources

The Human Resources Department (HR) is responsible for administering compensation, health insurance and other employee benefits for all employees under the Select Board, Town Manager and Town Clerk, and also manages the hiring, promotion, retirement and termination processes.

HR has two employees, the Director and Assistant Director, who is also the benefits administrator. The Director reports to the Town Manager. The Director and the Deputy Town Manager/Finance Director serve as the Town's collective bargaining team.

Most of the HR department's expense appropriation is for training for current and new employees in occupational safety, non-discrimination practices, and other important topics. The expense budget also includes small amounts for office supplies and travel.

Because HR also provides service for the Water & Sewer Enterprise Fund, an offset is applied to shift some costs to the Enterprise Fund.

Pay and Classification plan

Reclassification is the process by which a Town employee's job description and salary is changed outside of the step process. The process begins with the employee and the department head agreeing that the employee's salary is inadequate in light of the employee's actual job responsibilities. An application is submitted to the Director of Human Resources, who examines the job description and compares it to similar job descriptions in 12 other nearby towns. The HR director then decides whether that employee is being fairly compensated. If the employee disagrees with the decision, the employee has a right to appeal the decision to a 3-person appeals board. Positions reclassified are presented to Town Meeting for ratification by way of a warrant article, which shows which positions are being eliminated and which positions are being created or revised in their stead.

What to know about reclassification:

- Terminology:
SEIU - Service Employees International Union (mostly mid managers)
MTP - Non-Union ATP Class Plan
ATP - Administrative Technical and Professional Union
OFNU - Office Administrative Non-Union
MC - Maintenance Craftsmen/Laborers Union
L - Professional Librarians
- It is important for a reviewing Finance Committee member to understand how many applicants for reclassification there were in a given year; how many were appealed; how many were upheld on appeal; and what the HR Director's reasoning is for each reclassification and accompanying pay increase.
- It is also important to check the pay scale and step for each position being reclassified and check the difference between each reclassified position, making sure that what is being presented by the HR Director is what is being presented to Town Meeting.

Education

Arlington Public Schools

The mission of the Arlington Public Schools (APS) is “to provide an education that allows all students to achieve their full potential, be prepared for higher education, successful careers, active citizenship, and lifelong learning.”¹¹ In FY21, with over 1,000 FTEs, including nearly 500 teachers, it served approximately 6,000 students across a preschool, seven elementary schools, a sixth-grade school (Gibbs), a school for seventh and eighth graders (Ottoson) and Arlington High School.

APS is the largest Town department. It is the only department overseen by an elected committee, called the School Committee.¹² APS receives most of its funding from the Town, which includes State “Chapter 70” funds received on the Cherry Sheet. APS also generates revenue from user fees and grants.

To address rising enrollment, the Long-Range Planning Committee (described *supra*), of which APS and the School Committee are members, developed a set of principles intended to meet the budgetary needs of the school system. The principles, first set out in FY13, permit an annual increase of 3.5% in general education spending and an annual 7% increase in special education spending. In FY15, Town leaders agreed to add a growth factor as well. The growth factor is calculated by multiplying the number of new students as of October 1st of each year by a percentage of per pupil costs (PPC), as calculated by the Department of Elementary and Secondary Education (DESE).¹³ As of FY20, the percentage was set at 50% of DESE's PPC. These principles are not set in any law or by-law. This formula will also operate in reverse if enrollment declines.

¹¹ <http://www.arlington.k12.ma.us/administration/>

¹² <https://www.arlingtonma.gov/town-governance/boards-and-committees/school-committee>

¹³ <https://profiles.doe.mass.edu/statereport/ppx.aspx>

The Town Manager's budget reflects a "bottom line" number, while APS and the School Committee are responsible for specific appropriations. To that end, the Superintendent, in coordination with administrative staff, principals, teachers, families and other stakeholders, develops an annual budget and presents a recommendation to the School Committee. The budget, after approval, by the School Committee is submitted to the Finance Committee for review. The budget is then voted on by Town Meeting.

Minuteman Regional Technical High School

Arlington is a member town of the Minuteman Regional Technical High School. This budget covers the cost of tuition for Arlington students attending the school, our capital commitment and other assessments related to the regional agreement. The Minuteman Superintendent attends a Finance Committee hearing every year to present and explain the budget. Once the Finance Committee has voted the budget, the Superintendent must present it to Town Meeting for an appropriation vote. Once two-thirds of the member towns have voted to approve the budget it is passed. The Town is obligated to meet its commitment regardless of how Arlington Town Meeting votes.

CHAPTER TWELVE: Enterprise Funds

The General Fund supports most Town services, and the primary source of revenue for the General Fund is the property tax. However, other Town services are provided through an "enterprise fund". An enterprise fund is a separate budget center which operates more or less like a business, concerned with both revenues and expenses. Enterprise funds are enabled by [Massachusetts General Laws Part I, Title VII, Chapter 44, Section 53F1/2](#).

The goal is for each enterprise fund to be self-supporting, deriving the bulk of their financial support from non-General Fund sources, such as fees, grants or donations. However, some require appropriations from the General Fund to support current operations.

The Finance Committee reviews enterprise funds along with the rest of the budgets and recommends approval of the proposed budget and any appropriations from tax revenues. The budgets recommended for the enterprise funds are presented at the end of Appendix B of the Finance Committee's Report to Town Meeting.

Arlington has five enterprise funds:

1. Water and Sewer
2. Recreation
3. Ed Burns Arena or Rink
4. Council on Aging Transportation
5. Arlington Youth Counseling Center (AYCC)

Each enterprise fund budget shows the revenues, expenses (including debt service expenses), and the net change to the fund balance. In some cases, part of the fund balance is used as a revenue, labeled "Use of Retained Earnings".

Water and Sewer (W&S EF)

Arlington's drinking water is purchased from the Massachusetts Water Resource Authority (MWRA) and sewage is collected by the MWRA for treatment and disposal. The Water & Sewer Enterprise Fund is used to pay for installation and maintenance of water mains and sewer lines which connect all of Arlington's households and businesses to the MWRA system. In addition, the W&S EF installs and maintains the storm drains which collect rainwater and snow melt which are sent to Mill Brook and other channels on the way back to the ocean.

Major expenses for the W&S EF are the assessments from the MWRA based on usage, plus staff and equipment expenses to maintain the system. The small cost of maintenance of Arlington's Great Meadows is also included in the W&S EF.

The W&S EF is completely self-funding, and does not require any subsidy from the General Fund. W&S Operations are primarily funded from water bills and connection fees.

Many staff functions of the W&S EF are provided by employees of other town departments, such as Public Works, Legal, and Information Technologies. These costs are charged to the W&S EF and are reflected as "offsets" which are shown as reductions in those and other departments' budgets. The total of all of the "water and sewer offsets" in the other budgets should match the total of the two-line items "5903 INDIRECT COSTS" in the W&S EF budget, which are included in the "Indirect charges" line in the report to Town Meeting.

The Town has accepted provisions of Massachusetts General Law, Chapter 110 whereby water and sewer debt costs are transferred to the tax levy. This allows residents who itemize federal income taxes to include some portion of the water and sewer fees to be deducted from federal income. Pursuant to a vote of the Select Board, the MWRA Debt Shift has been fixed at \$5,593,112 since FY2007, which has been used as a revenue source for the W&S EF. However, the Select Board has adopted a policy to phase out the debt shift, resulting in lower property taxes and higher water and sewer bills. Under this policy, the debt shift will be eliminated in FY 2023.

Major W&S EF projects are funded through the Capital budget.

The MWRA offers interest-free loans for water & sewer projects, which are repaid from user fees over a 10-year period. Town Meeting must approve this borrowing in a separate article which requires a 2/3 vote for approval.

What to know about the Water & Sewer EF budget:

- The detailed W&S EF budget is provided to the Finance Committee by the Town Manager and Deputy Town Manager/Finance Director. It is condensed for presentation to Town Meeting, but the complete budget is available on the Town web site.
- Roughly 2/3 of the expenses are the payment to the MWRA. The rates are set by the MWRA, and the usage is estimated every year.
- Virtually all of the revenues are from user fees, with a small amount charged for new connections.

- Water rates are set each year by the Select Board, to balance the budget.

Recreation

The Recreation Enterprise Fund provides recreational programs and facilities for Arlington's youth and adults, including the Arlington Reservoir beach and many after-school and summer programs and camps. Expenses include salaries for recreation staff, and operating and maintenance expenses. Revenues are mainly user fees charged and collected for those services.

The Recreation EF is financially self-sufficient, and does not require any subsidy from the General Fund. In some years, surpluses are accumulated as retained earnings, which can be used as revenue in subsequent years.

What to know about the Recreation EF budget:

- The salary of the Director of Recreations is divided between the Recreation EF and the Rink Enterprise Fund.
- "Contracted Services" typically refers to part-time program leaders.
- Note that fees are often received months before the program(s) for which it is for actually happens.

Ed Burns Arena or Rink

The Rink Enterprise Fund (REF) pertains to the Ed Burns (Veterans Memorial) Arena, which is used by schools and the public, including for private functions. The rink itself is owned by and leased from the Massachusetts Department of Conservation and Recreation (DCR). Expenses include salaries for staff, and operating and maintenance expenses. Revenues include fees for public and private skating, games and other events, in addition to money generated by its concession stand. The Rink EF is financially self-sufficient, and does not require any subsidy from the General Fund.

Although the lease amount to the DCR is negligible, the Town is responsible for upkeep. Major expenses are funded through the Capital Plan.

What to know about the Recreation EF budget:

- The salary of the Director of Recreations is divided between the Recreation EF and the Rink Enterprise Fund.
- Roughly 75% of revenues are from "ice time", which is largely rentals to school and other hockey teams. Roughly 10% of revenues are fees for public skating.

Council on Aging Transportation

The Council on Aging Transportation Enterprise Fund (COA EF) is used to provide transportation for the Town's senior citizens who need assistance getting to and from the Senior Center, medical appointments, shopping and other needed destinations. Expenses include a van and an on-call driver, and dial-a-ride taxi service (DART). Revenues include modest fees, CDBG grants, donations, and usually a subsidy from the General Fund.

What to know about the COA EF:

- It is part of the Health and Human Services department.

- “Training” expenses include costs associated with ensuring all van drivers know CPR and first aid, are understanding about working with seniors, and are trained in driving the vans, etc.
- Gasoline, understandably, comprises a large portion of the expenses for COA EF.
- Operations generally result in a loss of about 35%, which is subsidized from general tax revenues appropriated by Town Meeting in the budget.

Arlington Youth Counseling Center (AYCC)

The Arlington Youth Counseling Center provides counseling services for Arlington’s children. Expenses include salaries for mental health professionals and social workers, as well as for administrative staff. This fund also contributes to costs associated with a social worker assigned to the police department. Revenues include fees for services, including insurance reimbursements, various grants and donations, and a subsidy from the General Fund.

What to know about the AYCC EF:

- Over half of revenues are from client fees and insurance reimbursements.
- The AYCC operates at a loss, which is subsidized from general tax revenues appropriated by Town Meeting in the budget.

CHAPTER THIRTEEN: Capital Budget

The Capital Budget, or Capital Plan, is prepared by the Capital Planning Committee (CPC), which is distinct from the Finance Committee. The CPC budget includes expenditures from these sources:

- Cash expenditures, directly from the General Fund.
- Money borrowed as debt serviced by regular property taxes (non-exempt debt, new and previous).
- Money borrowed as debt serviced by a debt exclusion (exempt debt, new and previous).
- Money borrowed as debt serviced by enterprise fund receipts (Water & Sewer, Rink).
- Various other sources, such as the ambulance fund (from charges for ambulance service) or antenna fund (rental of public structures for commercial antennas).
- Borrowed money previously approved for other projects but not all expended.

The accepted practice of the CPC has been to limit non-exempt spending (cash and non-exempt debt service) to 5% of the total Town budget (minus exempt debt) as projected in the 5-year plan. The 5% rule has proven to be successful over the past few decades - sufficient, but not too much.

Each year, the CPC formulates its plan and presents it to the Finance Committee, where it is reviewed. The Finance Committee will then take a vote as to whether to recommend favorable action to Town Meeting.

CHAPTER FOURTEEN: Other Warrant Articles

In addition to the warrant articles which appropriate money for the schools and Town departments, for the Town's capital plan, and for enterprise funds, other articles appropriate funds for other specific purposes. The following warrant articles traditionally appear before Town Meeting each year and are included in the Finance Committee's report:

Collective Bargaining / Salary Reserve

The Town Manager negotiates collective bargaining agreements with the labor unions that represent Town employees. An agreement may not be finalized by the time Town Meeting dissolves. Thus, the Town may adopt budgets for each department without negotiated increases, but will set aside a salary reserve in a separate account. These funds cannot be spent until Town Meeting approves the contracts by appropriating the salary reserves at a future Town Meeting.

Commissions and Committees

The Town's budget supports numerous commissions and committees, including the Arlington Historical Commission, Arlington Recycling Committee, Conservation Commission, Capital Planning Committee, Commission on Disability, Human Rights Commission, Envision Arlington, Transportation Advisory Committee, Arlington Commission for Arts and Culture, the Open Space Committee and others. This warrant article is used to appropriate sums to each of these commissions and committees.

Town Celebrations

This warrant article allows for expenses related to holidays and Town celebrations. This article has funded the placing of American flags on veterans' graves (required by state law), the display of American flags on Patriots' Day, the annual Town Day celebration and the Veterans' Day Parade.

"Harry Barber" Community Service Programs

The program, run by the Council on Aging, provides the opportunity for residents who are 60 years of age and older to provide services to Town departments in exchange for payment, which they can use to help with taxes and rent.

Legal defense Fund

The Town Bylaw has established a process for the Town to "indemnify ... Town Officials from legal expenses incurred in the defense of any claim, action, award, compromise, settlement, or judgment in an amount not to exceed \$100,000."¹⁴ The Bylaw also created a Legal Defense Fund to accomplish its purpose. This warrant article can be used to replenish the Fund.

Indemnification

The Town has opted, pursuant to state law, to pay certain medical and surgical expenses of police officers and firefighters who are retired due to an accidental disability. This

¹⁴ Article 13 of Title I of the Town By-Laws

article covers the costs of such expenses, as well as a medical panel appointed by the Town to review funding requests.

Retiree Health Insurance (OPEB)

Other Post Employee Benefits (OPEB) refers to the obligation of the Town to provide health insurance and other benefits to retired employees, and is carried as a liability which is being paid over time. Funds to cover this liability are appropriated annually to the OPEB Trust Fund.

The OPEB liability increases when employees retire, and is decreased through an annual appropriation to the OPEB Trust Fund. At the end of FY 2020, the liability was over \$236 million, which is an actuarial determination based on the number and age of all retirees, and estimates of future health insurance costs, return on the trust fund investments, and discount rate. The balance of the OPEB Trust fund was about \$16 million. Further details are in the Town's annual financial report.

The appropriation to the OPEB Trust Fund is usually calculated as:

- + \$500,000 from the general fund
- + \$300,000 from the remaining Health Insurance Trust Fund
- + \$155,000 from retirement trust fund
- appropriation for non-contributory pensions (see Retirement *supra*)

Long Term Stabilization Fund

Arlington maintains a Long-Term Stabilization Fund which is held in the General Fund and can be used for any purpose with a two-thirds vote of Town Meeting.

Arlington's usual practice is to add \$100,000 to the fund annually.

Other Warrant Articles considered by the Finance Committee

Other articles in the warrant may be submitted by the Town Manager, School Committee or Town Meetings members which involve an appropriation of money from the General Fund, typically including a phrase like "to see if the Town will appropriate a sum of money" or "determine how the money shall be raised and expended". The proponent of the article is normally invited to a hearing before the Finance Committee, which may recommend the requested amount, a different amount, or no funding.

CHAPTER FIFTEEN: Relationship To and With Other Boards/Committees

The Finance Committee works closely with other boards and committees whose responsibilities impact the Town's fiscal position. These include the following:

Capital Planning Committee.

Assists the Town Manager in the preparation of a capital improvement program. It meets weekly from September through January to assess the capital needs of the various town and school departments and to make recommendations on capital expenditure requests. Its capital programs and recommendations are made part of the Finance Committee's budget report to Town Meeting. It is comprised of 11 members, including a representative of the Finance Committee.

Budget & Revenue Task Force.

Established as part of the Town's strategy to deal with the constraints of Proposition 2 ½, to coordinate budget issues and recommendations, and to improve communications relative to various revenue matters. It meets prior to any budget recommendations being made to the Finance Committee. The Chair of the Finance Committee is a member.

Community Preservation Act Committee.

Evaluates the Town's needs in the areas of open space and outdoor recreational facilities, affordable housing, and historic preservation; makes recommendations to Town Meeting as to how Community Preservation Act Funds, which the Town receives through a real estate transfer tax supplemented by state funds, are to be spent. CPA funds are disbursed and administered as a grant program. The CPAC presents its recommended spending plan to the Finance Committee prior to Town Meeting for its input, although the Finance Committee has no role in deciding how CPA funds are spent.

Envision Arlington.

Promotes volunteer engagement in a variety of civic activities. Among its several task groups is the Fiscal Resources group, which helps to educate the public about how financial decisions are made. A representative of the Finance Committee is a member of the Envision Arlington Advisory Committee.

Permanent Town Building Committee.

Assesses the Town's building needs and supervises the construction of Town or school buildings.

Audit Advisory Committee.

Meets each year with representatives from the Town's outside auditing firm (Powers & Sullivan) to review their preliminary report, typically in mid-January. The Committee is comprised of the Town Manager, Superintendent of Schools, Deputy Town Manager/Finance Director, Treasurer, Comptroller, School CFO, Director of Assessors and representatives from the Select Board and Finance Committee, usually including the Chair and one of the Vice Chairs.

CHAPTER SIXTEEN: Finance Committee Report

The Finance Committee Report is the official recommendation to Arlington's Town Meeting for appropriations, borrowing, transfers of funds, and any article in the warrant which might require spending or borrowing. The Report reflects the decisions and votes of the committee, but is normally compiled, edited and formatted by one of the Vice Chairs working with the Chair.

The Report is distributed to Town Meeting Members electronically and published on the Town's web site as early as possible before Town Meeting opens. Traditionally, a printed version of the Report is also distributed to Town Meeting via the Select Board's office, although the Moderator has expressed, as a goal, the elimination of all printed reports to Town Meeting Members.

The Finance Committee may offer last-minute amendments or substitute motions in the case of a change in circumstances. Although legally permissible, these delayed motions are to be avoided if possible so that Town Meeting Members always have sufficient time to carefully consider the recommendations and prepare questions or amendments.

The Report normally has an introduction and four Appendices:

- Letter from the Chair, which summarizes the financial priorities and decisions facing the Town, and includes a glossary of terms.
- Appendix A - Recommended votes, including one article which covers all of the departmental budgets which are presented individually in Appendix B.
- Appendix B – Individual recommendations for departmental and enterprise fund budgets, including appropriations from a few previous years. The recommended budgets in Appendix B may be voted individually by Town Meeting.
- Appendix C – A summary of the revenue sources, state aid, and all appropriations, reserve and stabilization funds, and use of or deposits into stabilization funds. The summary always shows how the budget is balanced, and is consistent with the Long-Range Plan.
- Appendix D – The Long-Range Plan upon which the recommendations are based, and includes a five-year projection.

In some years, additional appendices are included for special circumstances or increased information, by, for example, making comparisons to peer communities or proposing alternative scenarios.

The Finance Committee Report is incrementally composed during the course of deliberations from late January through April. The Chair's letter is usually written near the end of the process. The Chair and Executive Secretary compile Appendix A, based on votes of the Committee. The detailed budgets in Appendix B and the summary in Appendix C are created from a master spreadsheet maintained by the Vice Chair responsible for the final document. The Long-Range Plan in Appendix D is provided by the Town Manager's Office. Before publishing, the entire document must be carefully checked for consistency and accuracy by each member of the Committee.

The presentation of the budgets in the Appendices B and C are based on spreadsheets provided by the Town Manager's office, but are reformatted for easier historical

comparisons. A long-term goal of the Finance Committee is to harmonize the presentations for both efficiency and clarity.

The presented budgets include two or three years of previous years' appropriations as approved by Town Meeting in those years, rather than actual expenditures.

One area of possible confusion is that the change in salaries from one year to the next in Appendix B may include both the usual annual increases plus amounts appropriated in the "Collective Bargaining" article and distributed to departments according to accepted contracts. Consequently, some year-to-year increases may look excessive on the surface. This often needs to be explained to Town Meeting Members.

As Appendix B is written, footnotes may be included under a department's budget in anticipation of questions from Town Meeting members. In particular, large changes in any budget, new or removed positions, new departments or major reorganizations are typically explained. Also, for clarity, changes in headcounts are shown where multiple positions are grouped together, such as police patrol officers.

In a year with a pending override vote, the Finance Committee Report may contain two sets of recommendations, showing in detail the difference between a successful and a failed campaign.

CHAPTER SEVENTEEN: Resource / References List.

Town Website

- Town Manager Act
<https://www.arlingtonma.gov/home/showpublisheddocument?id=47822> or search the Town web site for “town manager act”
- Bylaws
<https://www.arlingtonma.gov/town-governance/laws-and-regulations/town-bylaws> or search for “town bylaws”
- Town Manager’s annual budget and financial reports
<https://www.arlingtonma.gov/departments/town-manager/town-manager-s-annual-budget-financial-report> or search for “manager’s budget”
- Finance Committee reports
<https://www.arlingtonma.gov/town-governance/boards-and-committees/finance-committee/reports-to-town-meeting> or search for “Finance Committee reports”
- Capital Planning reports
<https://www.arlingtonma.gov/town-governance/boards-and-committees/capital-planning-committee/reports-to-town-meeting> or search for “capital planning reports”
- Community Preservation Act Committee (CPA) reports
<https://www.arlingtonma.gov/town-governance/boards-and-committees/community-preservation-act-committee-cpac> or search for “community preservation act”.
- Community Development Block Grant (CDBG) reports
<https://www.arlingtonma.gov/departments/planning-community-development/community-development-block-grants-cdbg> or search for “community development block grants”
- Public Annual Financial Report (PAFR)
<https://www.arlingtonma.gov/departments/town-manager/public-annual-financial-report-pafr> or search for “pafr”
- Annual Comprehensive Financial Reports (ACFR) and annual audit reports
<https://www.arlingtonma.gov/departments/finance/comptroller/audited-financial-statements>
- School Budget
<http://www.arlington.k12.ma.us/administration/budget/>
- A Resident’s Guide to the Budget
<https://www.arlingtonma.gov/home/showdocument?id=29421> or search for “a resident's guide to the budget”

State website

- DLS Municipal Databank
<https://www.mass.gov/municipal-databank-data-analytics-including-cherry-sheets> or search for “mass dls municipal databank”

- Massachusetts General Laws
<https://malegislature.gov/Laws/GeneralLaws> or search mass.gov for “general laws”
- Cherry Sheets
<https://www.mass.gov/lists/cherry-sheet-estimates> or search mass.gov for “cherry sheet estimates”
- Prop 2 ½ Primer
<https://www.mass.gov/doc/levy-limits-a-primer-on-proposition-2-12-0/download> or search mass.gov for “proposition 2.5 primer”

External

- ACMi “Your Arlington Dollar”
<https://acmi.tv/?s=your+arlington+dollar>
- Arlington Visual budget
<https://arlingtonvisualbudget.org>

Appendix 1

Certain funds managed by individual departments are also not reviewed by the Finance Committee. Those include:

- Trees please fund (DPW)
- MacEachern Bequest (DPW and Library)
- Friends of Library
- State and Federal grants for example, Safe Streets program, Clean Energy Grants
- Asset Forfeiture Account (Police department)